

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

- - -

IN RE: ADAMS GOLF, INC. :
SECURITIES LITIGATION :

X

ORAL DEPOSITION

OF

CHRISTOPHER M. JAMES

Friday, August 11, 2006

- - -

Oral deposition of CHRISTOPHER M.
JAMES, held at the offices of AKIN GUMP
STRAUSS HAUER & FELD, LLP, 590 Madison Avenue,
New York, New York, commencing at 8:30 a.m.,
reported by Pamela Harrison, RMR, CRR, CSR and
Notary Public.

- - -

RSA/VERITEXT COURT REPORTING COMPANY
1845 Walnut Street, 15th Floor
Philadelphia, PA 19103
(215) 241-1000 (888) 777-6690

Page 82	Page 84
<p>1 A. Yes.</p> <p>2 Q. Any other indices that you used</p> <p>3 in this case?</p> <p>4 A. Yes. In response to the report</p> <p>5 of Mr. Miller, I believe his rebuttal report, I</p> <p>6 also undertook the analysis utilizing the S&P</p> <p>7 small cap and the S&P small cap together with</p> <p>8 the -- his peer group.</p> <p>9 Q. Am I missing something or is</p> <p>10 this something I haven't seen yet?</p> <p>11 A. I don't know whether it's been</p> <p>12 produced to you, but it was something that I did</p> <p>13 subsequent to my rebuttal report because it was</p> <p>14 in response to Mr. Miller's.</p> <p>15 MR. COLLINS: Okay.</p> <p>16 MS. REED: I haven't seen it.</p> <p>17 BY MR. COLLINS:</p> <p>18 Q. Okay. So that work you did in</p> <p>19 response to Mr. Miller's rebuttal; correct?</p> <p>20 A. That's right.</p> <p>21 Q. Any other work you did in</p> <p>22 response to Mr. Miller's rebuttal?</p> <p>23 A. Yes. When I reviewed his</p> <p>24 rebuttal report, I investigated and prepared</p>	<p>1 or computer programs or documents of any nature</p> <p>2 reflect any of the work you did in response or</p> <p>3 in connection with the rebuttal report of</p> <p>4 Mr. Miller?</p> <p>5 A. I don't have any other -- I</p> <p>6 don't have any other paper or -- I reviewed the</p> <p>7 output of a market model analysis using the S&P</p> <p>8 small cap and the peer group from the data that</p> <p>9 Mr. Miller provided --</p> <p>10 Q. Okay.</p> <p>11 A. -- that I reviewed that output</p> <p>12 on a computer screen. I don't believe -- I</p> <p>13 don't think I printed it out</p> <p>14 Q. Okay. Could you do so for us,</p> <p>15 please.</p> <p>16 A. I believe I can recreate it.</p> <p>17 Q. If you would, please.</p> <p>18 How long would it take you to</p> <p>19 recreate it?</p> <p>20 A. The estimation wouldn't take</p> <p>21 long.</p> <p>22 Q. Could you ask someone to do</p> <p>23 that, say, at the next break or lunch and have</p> <p>24 it sent to us so we can take a look at it before</p>
Page 83	Page 85
<p>1 responses to -- I thought about -- and that's</p> <p>2 what I meant by prepared -- I thought about</p> <p>3 responses to and tried to assess the validity of</p> <p>4 some of the issues that he raised.</p> <p>5 I also undertook an analysis,</p> <p>6 which I believe is in -- which has been marked</p> <p>7 as Exhibit 339 and 340, which addresses an</p> <p>8 issue that Mr. Miller raised in his report</p> <p>9 regarding his contention that the price</p> <p>10 decline principally in late July was</p> <p>11 attributable to issues concerning the gray</p> <p>12 market.</p> <p>13 Q. Anything else?</p> <p>14 A. I think that's -- as I sit here,</p> <p>15 that's a summary of the things that I did.</p> <p>16 Q. Okay. Now, the work that you</p> <p>17 did in response to or in connection with the</p> <p>18 Miller rebuttal report, that work is reflected</p> <p>19 in part by Exhibits 339 and 340, if I heard you</p> <p>20 correctly.</p> <p>21 A. Yes, some of it -- some of the</p> <p>22 analysis that I just referred to is contained in</p> <p>23 339, 340.</p> <p>24 Q. Okay. Any other pieces of paper</p>	<p>1 you go home?</p> <p>2 A. I'll take it under advisement.</p> <p>3 I would have to ask the attorneys what the</p> <p>4 protocol is, and if those people are available.</p> <p>5 I'll certainly try to look into it.</p> <p>6 Q. Good. Thank you.</p> <p>7 And what is the nature of that</p> <p>8 material that's on the computer that you just</p> <p>9 described?</p> <p>10 A. Just so you are clear, one issue</p> <p>11 that I wanted to address was whether the</p> <p>12 conclusions that I reached with respect to the</p> <p>13 statistical significance of the days that I</p> <p>14 identify, those conclusions would differ if I</p> <p>15 used an S&P small cap as opposed to the NASDAQ,</p> <p>16 or if I used the peer group as opposed to the</p> <p>17 industry index in combination with the NASDAQ or</p> <p>18 S&P small cap.</p> <p>19 Q. Okay. And by the peer group,</p> <p>20 you are referring to what?</p> <p>21 A. Mr. Miller's peer group</p> <p>22 Q. And what Mr. Miller was using</p> <p>23 was the peer group that appeared in the company</p> <p>24 proxy statement?</p>

Page 86	Page 88
<p>1 A. I don't believe that -- I would 2 have to go back and check whether that peer 3 group is the -- whether it's referred -- whether 4 those groups of firms are referred to as the 5 peer group in the proxy statement. I simply 6 don't recall. I utilized the peer group as 7 identified in his report, appendix, I believe 8 it's -- if you have a copy of his report, I 9 could...</p> <p>10 Q. This is the rebuttal report; eh?</p> <p>11 A. Rebuttal Report A?</p> <p>12 MS. REED: Oh, rebuttal report 13 question mark.</p> <p>14 THE WITNESS: Oh.</p> <p>15 MS. REED: It's Canadian.</p> <p>16 MR. COLLINS: E-H.</p> <p>17 THE WITNESS: Cast as a rebuttal 18 report B?</p> <p>19 (Laughter.)</p> <p>20 MS. REED: Not another one.</p> <p>21 BY MR. COLLINS:</p> <p>22 Q. Is it the rebuttal report?</p> <p>23 A. Yes.</p> <p>24 MR. COLLINS: Has this been</p>	<p>1 blue.</p> <p>2 BY MR. COLLINS:</p> <p>3 Q. You're not color-blind, are you?</p> <p>4 A. Yeah, so --</p> <p>5 Q. How can you be in this business 6 and be color-blind?</p> <p>7 A. I'm pretty good at 8 distinguishing colors, but --</p> <p>9 Q. Now, wait, we have a problem 10 here, Professor, because I'm color-blind. So 11 when you refer to the blue line...?</p> <p>12 A. I believe the blue line is the 13 peer group.</p> <p>14 Q. The dark blue line, anyway?</p> <p>15 A. The peer group is the third 16 entry --</p> <p>17 Q. Okay.</p> <p>18 A. -- on the index. All right?</p> <p>19 Q. Okay. Good.</p> <p>20 A. And that corresponds to the -- 21 and I'm simply having trouble distinguishing 22 what is blue and green here, but the blue line I 23 believe is -- tracks the green line with the 24 exception of the line below the green line from,</p>
Page 87	Page 89
<p>1 marked previously, Michelle?</p> <p>2 MS. REED: It will be Exhibit 3 335.</p> <p>4 (Whereupon, a document was 5 marked, for identification purposes, as 6 Exhibit 335.)</p> <p>7 BY MR. COLLINS:</p> <p>8 Q. Take a look at it, please.</p> <p>9 A. The peer group -- the peer group 10 that I'm referring to is the peer group that is 11 referred to in his report.</p> <p>12 Q. Where, please?</p> <p>13 A. I'm not sure I know of all of 14 the references, but there is a reference to it 15 on Page 1 of Exhibit B, the last column.</p> <p>16 Q. Okay. And so you ran, I 17 presume, Exhibit 339 using the same peer group 18 as indicated on Page 1, Exhibit B of the Miller 19 rebuttal?</p> <p>20 A. Just so we are clear, yes, when 21 you mean run, the blue line is the -- is it 22 blue?</p> <p>23 MS. REED: Yes.</p> <p>24 THE WITNESS: I believe it's</p>	<p>1 it looks like, 7/15/1998 to 7/21/1998.</p> <p>2 Does that help?</p> <p>3 Q. It does. Thank you.</p> <p>4 And how did you construct this 5 chart? Is this daily closing price?</p> <p>6 A. How this chart was constructed 7 is to peg, as it indicates in the note, both the 8 S&P small cap, the peer, and the -- and Callaway 9 to \$16.00 at 7/09/98. And then once pegged in 10 that manner, to compute the changes -- or plot 11 the prices based on the returns on Callaway, S&P 12 small cap, peer group, and then the red line is 13 Adams Golf.</p> <p>14 Q. Now, did you undertake any 15 analysis as to what caused the decline in 16 Callaway, peer group, and S&P on or about July 17 23rd?</p> <p>18 A. I don't believe the S&P is --</p> <p>19 Q. The S&P didn't decline.</p> <p>20 A. If it did decline, it declined a 21 very small amount.</p> <p>22 Q. So the S&P declined a very small 23 amount or didn't decline on or about July 23?</p> <p>24 A. Right.</p>

Page 90	Page 92
<p>1 Q. Adams declined some, and the S&P 2 small cap and Callaway declined more -- is that 3 right so far? -- on or about July 23rd. 4 A. If you said Callaway and the 5 peer group? 6 Q. Yes. 7 A. I think you may have said -- 8 Q. You know what, let me start 9 again. You are quite right. 10 Am I reading this correctly 11 that on July 23rd both Callaway and the peer 12 group went down sharply and roughly in tandem? 13 A. Yes. I think if you go to the 14 next exhibit, it might be easier. 15 Q. Okay. 16 A. 340. 17 Q. Okay. 18 A. Which has the dates and the 19 price decline. So on 7/23/1998, Adams is down 20 13 percent -- about roughly 13 percent; Callaway 21 is down 33 percent; and Miller's peer group is 22 down 28.2 percent. 23 Q. I see. 24 Now, Miller's peer group, do</p>	<p>1 A. I used the peer group return as 2 reported by Mr. Miller in his rebuttal report. 3 My recollection is I could come 4 close but not exactly match the peer returns 5 by taking the -- the peer group return by 6 taking a value weighted average of the 7 individuals within the group. 8 Q. What do you mean by "value 9 weighted average"? 10 A. I was responding to the question 11 you just asked, was it a value weighted average 12 or an equally weighted average of the returns 13 I can come close to, if I use 14 value weights, come close to the returns that 15 he had. 16 Q. That's fine. And I'm just 17 asking you what you did in using the value 18 weights, what process did you go through and 19 what specifically, specifically what value did 20 you weight. 21 A. The market value of the common 22 stock. 23 THE WITNESS: And I apologize, 24 but I need to take a short break.</p>
Page 91	Page 93
<p>1 you know whether it included Callaway? 2 A. It did. 3 Q. And was the peer group -- the 4 peer group was comprised of how many companies? 5 A. I believe it was -- it consisted 6 of Callaway, Teardrop, Aldila -- 7 THE COURT REPORTER: Callaway, 8 comma Teardrop? 9 THE WITNESS: It might help, 10 it's on the top line on the first page of 11 Mr. Miller's report. 12 BY MR. COLLINS: 13 Q. Okay. 14 A. I can read these off, but it may 15 be helpful for the court reporter just to look 16 at them. 17 It would be Callaway, Teardrop, 18 Aldila, Coastcast, Arnold Palmer, and Golden 19 Bear. 20 Q. Now, as you used the peer group 21 on Exhibits 339 and 340, was it a weighted group 22 or was it unweighted, based on the size or the 23 market caps or some other characteristics of the 24 companies making up the peer group?</p>	<p>1 MR. COLLINS: Off the record. 2 (A recess was had from 3 11:23 a.m. to 11:33 a.m.; and then the 4 proceedings continued as follows:) 5 BY MR. COLLINS: 6 Q. Exhibit 339. 7 A. Okay. 8 Q. Why did you do this just for the 9 month of July? 10 A. Because Mr. Miller indicated in 11 his rebuttal report that it is his conjecture 12 that the price decline, particularly in the 13 latter part of July, was attributable to, I 14 think he refers to it as leakage regarding gray 15 market activities. 16 Q. Is there something about Exhibit 17 339 or Exhibit 340 that leads you to question 18 that conclusion on his part? 19 A. I think that -- yes, I think 20 that this analysis demonstrates, using his data, 21 that the decline in Adams Golf during this 22 period of time was certainly in line with the 23 decline experienced by its -- the firms 24 identified by Mr. Miller as being peers to Adams</p>

Page 94

1 Golf, and that consistent with the discussion in
2 my report, the decline appears to be a result
3 principally of softness in the golf industry as
4 reflected by the earnings miss and discussion of
5 difficulties in the market that Callaway
6 disclosed, and then the peer group -- I think
7 Coastcast has a news article during that same
8 period of time indicating same weakness in
9 product demand, which I think is consistent with
10 the announcement of Callaway, since Coastcast is
11 a major supplier to Callaway.

12 Q. Did you undertake -- the
13 analysis of these various stock prices, did you
14 do any work taking it out beyond July 31st?

15 A. No. I -- you mean --

16 Q. Did you run the chart beyond
17 July 31st?

18 A. No, I just focused on the dates
19 in -- the dates that he identified as being
20 associated with price declines in late July that
21 he contends may be associated with information
22 disclosures regarding -- or leakage of
23 information regarding, say, purchase orders by
24 Costco.

Page 95

1 Q. And in that regard you are
2 referring to the information he has -- perhaps
3 other places as well, but you are referring to
4 the information he has in Paragraph 22(A) of his
5 rebuttal report?

6 A. 22(A), yes.

7 Q. Now, how long ago did you
8 prepare exhibits or did you create the documents
9 that are now 339 and 340?

10 A. Within the last week.

11 Q. Did counsel ask you to do so?

12 A. No.

13 Q. Did you tell counsel you were
14 doing this?

15 A. Yes.

16 Q. Did you run any other charts
17 beyond 339 either within the last week or since
18 the rebuttal report?

19 A. I don't believe so. I don't
20 recall doing any.

21 Q. And did you undertake an
22 analysis of peer performance with respect to
23 August or September?

24 A. No, my focus was only on late --

Page 96

1 late July, is the period that he focuses in on
2 his report.

3 Just to add that he -- and the
4 other reason is that he has a chart, I believe
5 it's -- if you don't mind, I'll take it off.

6 (The witness takes the clip off
7 the document.)

8 BY MR. COLLINS:

9 Q. Please.

10 A. That is a -- that has a somewhat
11 different pegging in the sense that it's pegged
12 to 1. It's his Exhibit A. It's entitled ADGO
13 versus XLC(4), Adams Golf versus Comparable
14 Index. He carries it out to -- 12/23/1999 is
15 the last date.

16 Q. You are referring to the page
17 immediately after the page that says Exhibit A,
18 or are you referring to a later?

19 Which chart are you referring
20 to, please?

21 A. I know this is -- it doesn't
22 make the record look particularly good because
23 I'm holding something up, but it is this chart
24 (indicating), and I believe you are looking at

Page 97

1 it.

2 MS. FOX: Let me just check
3 that. I'll come around and see whether
4 it's the same.

5 THE WITNESS: Just so you are
6 clear, there appears to be two charts
7 in his Exhibit A. One is -- it looks
8 like they are the same chart. One is
9 simply, in my version, a smaller
10 version of the other.

11 BY MR. COLLINS:

12 Q. Okay. Well, the chart --

13 A. This you can identify --

14 Q. Not a problem.

15 A. Okay.

16 Q. Do you see the page that says on
17 it Exhibit A? It's probably in your left hand.

18 A. Yeah, the problem I'm having is
19 that there are a number of pages that say
20 Exhibit A on it. Okay? Maybe we can make this
21 easier.

22 This is Exhibit A (indicating),
23 it only has Exhibit A on it. Then there is a
24 page that follows it which is a --

Page 122	Page 124
<p>1 client and says, "I'm going to issue an analyst 2 report tomorrow that is going to have an impact 3 on the stock price. I just wanted you to know 4 what I'm going to say." 5 A. That -- I'm not familiar with 6 that practice. 7 Q. You are familiar with the 8 occurrence that stock prices move sometimes on 9 the basis of oral information being disseminated 10 into the marketplace? 11 A. Are you saying -- 12 Q. Rumors move stock prices 13 sometimes, don't they? 14 A. If they are material and -- if 15 they are material, they certainly can move stock 16 prices, and there are scientific methods for the 17 determination of whether a specific rumor or 18 conjecture is disseminated to the market. 19 Q. What are those scientific 20 methods? 21 A. Let me give a couple of 22 examples. 23 There is academic literature 24 that looks at the impact of, say, chat room</p>	<p>1 favorable such as "buy" -- 2 Q. "Hot"? 3 A. Something like that 4 -- and "negative," and then 5 try to come up with a quantitative measure of 6 the frequency on a particular day in which 7 those words appear, and then to use that 8 quantitative measure to examine whether on 9 that day there is a significant stock price 10 movement, and so what the researcher is doing 11 is setting up a -- an experiment that can be 12 replicated by a third party that is testing, 13 using objective scientific measures, the 14 significance of a piece of information. 15 Q. And you said Journal of Finance 16 five years ago or thereabouts? 17 A. Or thereabouts, yes 18 Q. Who wrote it? 19 A. My recollection is a guy -- at 20 least one of the authors was at the University 21 of British Columbia. I don't recall, as I sit 22 here, who the authors are. 23 Q. That article dealt with chat 24 room --</p>
Page 123	Page 125
<p>1 information, and that literature asks the 2 question of whether chat room information is 3 viewed as material to investors. 4 Now, what that literature 5 recognizes is that a reference in a chat room 6 to a particular company, whether that is 7 favorable or unfavorable, is likely to be a 8 subjective evaluation. So those studies 9 provide objective measures of the extent to 10 which there is discussion within a chat room 11 and objective measures as to whether that -- 12 those discussions are favorable or unfavorable 13 and then attempts to test whether that 14 information is viewed by market participants 15 as being material. 16 Q. What are these objective 17 measures determining whether the information is 18 favorable or unfavorable? 19 A. The -- and I'm going by 20 recollection, this is an article published in 21 the Journal of Finance maybe five years ago -- 22 the researchers set up a text-based search of 23 chat room information and identify certain words 24 that would be considered to be unambiguous with</p>	<p>1 A. Right. 2 Q. -- communication. 3 Did it deal with oral rumors? 4 A. I don't recall. 5 Q. Rumor or other forms of oral 6 communication can, if material, affect stock 7 price; correct? 8 A. If that information is material 9 and becomes available to market participants. 10 Q. And how in that case does one 11 objectively measure, if at all, as to whether 12 the information has materially affected the 13 market? 14 A. The procedure that I think I've 15 used and would use is to first provide 16 information -- to ascertain whether the 17 information that is characterized as -- you are 18 characterizing as rumor or opinion is publicly 19 available. So there is a news report, an 20 analyst report, a company disclosure, a 21 disclosure, say, of a government regulatory 22 agency, some objective way of determining 23 whether the information is publicly available. 24 And then the second step would</p>

Page 126	Page 128
<p>1 be, in terms of identifying the materiality of 2 that information, to examine the stock price 3 movements on the day that or days in which the 4 analyst has been able to determine the 5 information was publicly available. 6 Q. And in your last answer, when 7 you referred to the date on which the 8 information was publicly available, do you mean 9 by means of some writing or do you mean, 10 instead, by means of the rumor process? 11 A I think one needs to determine 12 that it was available to market participants. 13 Let me see if I can make a distinction, and I 14 think it's an important one. 15 If -- would I consider as I 16 walk back to my hotel tonight or this 17 afternoon -- 18 MR. COLLINS: Off the record. 19 (Discussion off the record.) 20 THE WITNESS: As I walk back 21 early this afternoon to my hotel, and I 22 were to pass someone that said, "Gosh, 23 I think Google is overvalued," okay, 24 that would be a rumor. Okay?</p>	<p>1 were considering in valuing the stock. 2 And then I would look to the time 3 at which that were available to market 4 participants, and then I would do the 5 next step, which would be assess its 6 materiality by examining whether it 7 changed the total mix of information as 8 measured by did it move the stock in a 9 significant way. 10 BY MR. COLLINS: 11 Q. Okay, that is very interesting. 12 So let's assume you are walking 13 to your cab this afternoon to get a ride to 14 the airport and the person who tells you 15 Google is overvalued is the CEO of Google. 16 Let's further assume that you 17 can find no writing, analyst report, press 18 report, news story suggesting or stating that 19 the CEO of Google believes Google to be 20 overstated. 21 And let's further assume, going 22 to your next step as you called it a moment 23 ago, there is a statistically significant 24 movement on the day that the CEO of Google</p>
Page 127	Page 129
<p>1 Now, how would I as a scientist 2 determine whether that rumor was 3 material and was available -- was 4 reflected in the information that the 5 market was using to value the stock? 6 Well, I first would have to say, is 7 there any indication that market 8 participants are aware of that opinion 9 and view it as new information? What 10 would I do? 11 I would not rely necessarily 12 completely on written documents, but 13 certainly I would look for press 14 releases, I would like for company 15 releases, I would look for analyst 16 discussion, I would go to the -- I 17 would review perhaps the e-mails that 18 come to the investor relations 19 department of a company, I would review 20 the conference calls that the company 21 holds with investors and analysts to 22 determine whether the information that 23 I, quote, heard on the street was 24 information that market participants</p>	<p>1 shared with you this information. 2 Under those circumstances, 3 would you conclude that it was impossible that 4 -- or highly unlikely that oral communication, 5 in this case in the form of rumor, materially 6 affected the market price? 7 A. Well, I mean, I think that if, 8 under your hypothetical, if the CEO of Google 9 conveyed that information of overvaluation to me 10 in the cab and on the same day there was a 11 change in the stock price, I would -- first of 12 all, under the hypothetical, if I were the one 13 that received that information -- and I was the 14 only one -- and I didn't trade on it, then 15 there's no reason to expect that that 16 conversation would have -- that that would be 17 causally linked to the stock price movement. 18 Now, if, in fact, the CEO of 19 Google were -- that we undertook an 20 investigation and concluded that in fact on 21 the day that I got into the cab and heard that 22 Google was overvalued, the CEO had also 23 communicated to Black Rock and other 24 institutional investors that it was his view</p>

Page 218	Page 220
<p>1 Q Stock return.</p> <p>2 And how do you choose what</p> <p>3 stock return you use?</p> <p>4 A Over the month?</p> <p>5 Q For each month.</p> <p>6 A It's from the close of the prior</p> <p>7 month to the close of the current month, so it</p> <p>8 would be the cumulative return over the month,</p> <p>9 so all of the returns in the month are used.</p> <p>10 All the daily returns are incorporated into the</p> <p>11 monthly return.</p> <p>12 Q And for the monthly observation</p> <p>13 for the industry index, how did you determine</p> <p>14 that?</p> <p>15 A The same, the same way. So you</p> <p>16 take each component of the industry -- I think</p> <p>17 the index -- the Bloomberg index is on -- you</p> <p>18 can -- I think -- I think I recall seeing it on</p> <p>19 a level basis, you just take level prior month</p> <p>20 -- level at the end of the month plus level at</p> <p>21 the prior month divided by level at the prior</p> <p>22 month will give you the return over that month,</p> <p>23 the same way you calculate a return over the</p> <p>24 month.</p>	<p>1 not be reflected; that would be washed out by</p> <p>2 your monthly observation?</p> <p>3 A Yes, but it would be only</p> <p>4 looking at how one could explain monthly</p> <p>5 variations in the stock return relative to</p> <p>6 monthly variations in the industry index</p> <p>7 Q Why was the period under study</p> <p>8 in Exhibit 10, why did that cut off at June 11?</p> <p>9 A You know, I looked at Exhibit 10</p> <p>10 and I knew you were going to ask that question,</p> <p>11 and I don't recall. I think it, frankly, might</p> <p>12 be an oversight.</p> <p>13 Q "An oversight" meaning what?</p> <p>14 A On my part. So I need to go</p> <p>15 back -- in just assembling this, as I sit here,</p> <p>16 I don't recall why it ended in June of 1999.</p> <p>17 Q Did you consider -- and I</p> <p>18 understand, I respect people that forget things,</p> <p>19 I do that, too. But did you consider, if you</p> <p>20 know, running the regression at Exhibit 10</p> <p>21 through December '99 as you ran the regressions</p> <p>22 in Exhibit 12?</p> <p>23 A I don't recall making a</p> <p>24 distinction between June of 1999 and December of</p>
Page 219	Page 221
<p>1 Q Why did you perform the</p> <p>2 regression in Exhibit 10; what did that add to</p> <p>3 the work you were doing otherwise?</p> <p>4 A I think we touched on this topic</p> <p>5 this morning when we had a discussion of why</p> <p>6 market participants and researchers utilize,</p> <p>7 say, monthly returns. Remember I said if you</p> <p>8 look at Ibbotson or Barra or other vendors of</p> <p>9 what are called betas, how stock moves with the</p> <p>10 market, those vendors may also have how stock</p> <p>11 moves with industry comparables; that generally</p> <p>12 that analysis -- not always, but typically that</p> <p>13 analysis is done to figure out the influence of</p> <p>14 general industry factors, is done on a monthly</p> <p>15 basis as opposed to a daily basis for the</p> <p>16 reasons I gave you before, which is that on a</p> <p>17 monthly basis you are basically taking out a lot</p> <p>18 of noise that occurs, what a statistician would</p> <p>19 refer to as noise, on the daily returns due to</p> <p>20 randomness.</p> <p>21 Q So, again, with regard to</p> <p>22 Exhibit 10, if there were volatility in either</p> <p>23 the index on an intramonth basis or in Adams</p> <p>24 Golf stock on an intramonth basis, that would</p>	<p>1 1999, so as I sit here I don't recall making any</p> <p>2 conscious decision to cut one analysis at 6/99</p> <p>3 and the other analysis at year-end 1999.</p> <p>4 Q I want to go back to a couple of</p> <p>5 points you raised earlier. First, you said that</p> <p>6 you did consider a two-day event window in</p> <p>7 response to the August 28, 1998, Lehman analyst</p> <p>8 report; correct?</p> <p>9 A Right.</p> <p>10 Q Did you consider a three-day</p> <p>11 event window?</p> <p>12 A No.</p> <p>13 Q Did you consider a two-day event</p> <p>14 window with regard to any other periods of the</p> <p>15 class period?</p> <p>16 A I don't recall that I did.</p> <p>17 I do recall, as we mentioned</p> <p>18 earlier today, doing an analysis in response</p> <p>19 to something which was in Mr. Miller's report,</p> <p>20 and that was he indicated -- he made two</p> <p>21 points: First, that, you know, while I looked</p> <p>22 at statistical significance at a 95 percent</p> <p>23 level, I didn't look at the significance at</p> <p>24 other levels. And, as I indicated in my</p>

Page 222

Page 224

1 report, the 95 percent level is the
 2 conventional level; although, some researchers
 3 will report significance at a 10 percent
 4 level. And so I examined whether there were
 5 days that were significant at a 90 percent
 6 level and what information was coming to the
 7 market on those days.
 8 Second is in response to a
 9 comment in his report concerning looking at the
 10 returns over multiple days. I asked the
 11 question of whether if the results and my
 12 conclusions regarding statistical significance
 13 and the information coming to the market on
 14 those days would be altered if I used a two-day
 15 window, and concluded that -- my conclusions
 16 were the same whether I used a two-day window or
 17 a one-day window for each of the events that I
 18 analyzed.
 19 So if you take the Golf Pro
 20 August 1st article and say, well, look at a
 21 two-day window around that, would that alter
 22 your conclusion regarding the statistical
 23 significance, would using a 90 percent
 24 confidence interval as opposed to a 95 percent

1 regarding -- there would be no reason to use a
 2 multiple-day window more than two days for this
 3 analysis because you would use that if you were
 4 uncertain as -- you have a news announcement --
 5 we talked about this earlier today; if you had a
 6 news announcement and you weren't sure whether
 7 that news announcement was made -- you know what
 8 day it was made on, but you don't know whether
 9 it was during trading hours or not.

10 Q. Sure

11 But you might also have new
 12 information enter in the market or allegedly
 13 new information enter in the market that might
 14 be in the form of rumor or oral communication
 15 which would be another situation in which you
 16 were uncertain as to what the disclosure date
 17 is. Correct?

18 A. No, I would certainly think that
 19 if there was an allegation that a rumor or oral
 20 communication were material, that you would be
 21 able to identify the date at which that
 22 information became available to the market. I
 23 would also say that -- and be able to relate it,
 24 as I talked about earlier today, in an objective

Page 223

Page 225

1 confidence interval impact the conclusion, and
 2 the answer to both of those questions is no
 3 Q. Which events or which time
 4 periods during the class period did you consider
 5 using a multiple-day event window for?
 6 A. Every day.
 7 Q. Okay. And which events did you
 8 consider using the 90 percent confidence level
 9 for?
 10 A. Every day.
 11 Q. And how did you apply that using
 12 every day? For example, if I can turn you to
 13 Page Exhibit 5?
 14 A. Mm-hmm.
 15 Q. With regard to using a
 16 multiple-day event window, what did you mean by
 17 that; three days or five days?
 18 A. Two days.
 19 Q. Okay. You didn't look at
 20 anything more than two days, did you?
 21 A. No, I had no information that
 22 would indicate to me that the market would not
 23 operate in an efficient way and I had no
 24 information to me that indicated any uncertainty

1 scientific manner, to the price reaction.
 2 As I have indicated, oral
 3 communication, as it would be in the context
 4 of a conference call with investors, you would
 5 look at the day on which that conference call
 6 occurred, that oral communication, for
 7 purposes of determining whether that
 8 communication was material.

9 Q. If it were a rumor, however, you
 10 might not know when the rumor first started
 11 circulating; correct?

12 A. I think that's -- I mean, again,
 13 it's -- and we went through this before -- I
 14 would -- if I were asked to assess the
 15 materiality of an alleged rumor, the first step
 16 I would take is to try to determine when that
 17 rumor was being utilized by market participants
 18 for purposes of pricing or valuing the stock.

19 I would also think that --
 20 there's certainly -- and I would -- I would
 21 expect to see, if it was a rumor that was
 22 material and significant to investors, that --
 23 as I indicated before, that there would be
 24 some commentary on it, in some source.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE: ADAMS GOLF, INC. : CONSOLIDATED
SECURITIES LITIGATION : C.A. NO. 99-371 KAJ

X

ORAL DEPOSITION OF SANDRA BROOKS

Friday, June 30, 2006

The oral deposition of SANDRA BROOKS was held at the law offices of Akin Gump Strauss Hauer & Feld, LLP, 1700 Pacific Avenue, Suite 4100, Dallas, Texas, from 10:38 a.m. to 12:09 p.m., before Jamie K. Israelow, a Certified Shorthand Reporter in and for the State of Texas, Registered Professional Reporter, Certified Realtime Reporter and Certified LiveNote Reporter.

RSA/VERITEXT COURT REPORTING COMPANY

1845 Walnut Street, 15th Floor

Philadelphia, PA 19103

(215) 241-1000 (888) 777-6690

Page 10		Page 12	
10:43:14	1 Parrish was like. I think, under him and I would	10:45:12	1 A I am now
10:43:17	2 report to him. He took over for a while, but Mark	10:45:14	2 Q And what do you understand it to
10:43:20	3 was ultimately the --	10:45:16	3 mean? What does it mean to you?
10:43:23	4 Q Okay And how often did you -- say,	10:45:22	4 A I guess when people get ahold of a
10:43:27	5 in '96 and '97, how often did you see Mark	10:45:25	5 product, like a golf club, and I guess they're not
10:43:31	6 Gonsalves? Was it --	10:45:29	6 really supposed to have it, like an
10:43:32	7 A Every day. Every day. We had a	10:45:32	7 unauthorized -- like they get the golf club --
10:43:34	8 morning meeting every day	10:45:34	8 somebody gets the golf club and sells it to
10:43:35	9 Q Okay	10:45:37	9 somebody else who isn't really supposed to be
10:43:35	10 A From the beginning of time, we had a	10:45:39	10 selling it
10:43:38	11 meeting -- the whole inside sales group and Mark,	10:45:39	11 Q I see Okay Now, during 1997, did
10:43:41	12 we'd have a meeting and talk about goals and --	10:45:50	12 you have an occasion to experience anything like
10:43:45	13 what did we call them? -- objections and how to	10:45:53	13 that in your sales regions?
10:43:48	14 get around objections	10:45:54	14 A Yes
10:43:49	15 Q Okay	10:45:54	15 Q And can you describe what that was?
10:43:50	16 A Yeah. So every day we had a meeting,	10:45:57	16 A It started off in Seattle where a big
10:43:52	17 and it was a way to start off our day.	10:46:03	17 client of mine called me up complaining that he
10:43:55	18 Q And did that practice continue	10:46:06	18 was at Costco and saw Adams Golf clubs at Costco
10:43:56	19 throughout your employment at Adams Golf?	10:46:09	19 And I wasn't really sure about Costco because we
10:43:58	20 A Yes	10:46:12	20 didn't have Costcos there, but he explained to me,
10:44:06	21 Q Okay. You testified that in the	10:46:15	21 a big warehouse wholesale-type place like Sam's
10:44:07	22 beginning of your employment, and correct me if	10:46:17	22 I know what Sam's is, so he explained that to me
10:44:10	23 I'm wrong, I don't want to misquote the record,	10:46:19	23 That's how I first found out about it.
10:44:12	24 there were six members of the inside sales staff	10:46:21	24 Q And are you able to recall who the
Page 11		Page 13	
10:44:14	1 Is that --	10:46:23	1 account was?
10:44:15	2 A When I started, correct	10:46:24	2 A I think -- I think it was Pro Am
10:44:17	3 Q And then -- so I assume your regions,	10:46:26	3 Golf. Is that it? It's -- it's -- big, giant --
10:44:19	4 then, were -- were greater than the ones you've	10:46:30	4 it's like the biggest one in Seattle.
10:44:26	5 described here, Seattle, Miami, Arkansas,	10:46:32	5 Q Okay. They're in Seattle?
10:44:29	6 New Orleans, Connecticut --	10:46:34	6 A Uh-huh
10:44:32	7 A Right. For instance, I had the	10:46:34	7 Q And are you able to recall what, if
10:44:33	8 entire state of Washington.	10:46:36	8 anything -- if it was Pro Am Golf, I know you're
10:44:34	9 Q I see.	10:46:40	9 trying to remember. What did they say to you?
10:44:35	10 A Then when we added more people, we	10:46:42	10 Are you able to recall what they --
10:44:37	11 were asked: What territories do you want to get	10:46:43	11 A Well, he was pretty mad. He was
10:44:40	12 rid of? And I was like: Well, you can have	10:46:45	12 pretty mad, like: Why are these clubs showing up
10:44:43	13 Arkansas, and you can also have the east half of	10:46:48	13 in Costco? Why are you -- why are you-all giving
10:44:46	14 Washington	10:46:51	14 these clubs to Costco? That was pretty much
10:44:47	15 Q Yep. Yep. Spokane?	10:46:54	15 his --
10:44:49	16 MR. BESSETTE: Lucky folks.	10:46:55	16 Q Okay
10:44:53	17 Q (By Mr. Mara) Okay. So and are you	10:46:55	17 A -- take on it
10:44:54	18 able to recall when -- but you retained -- I'm	10:46:56	18 Q And did he describe what quantity or
10:44:58	19 sorry. Strike that	10:46:59	19 how many clubs he --
10:44:59	20 So you retained Seattle,	10:47:00	20 A He said there were a bunch. I mean,
10:45:02	21 Miami, throughout your tenure at Adams Golf?	10:47:02	21 I don't think he actually gave me a number or
10:45:09	22 A Yeah	10:47:04	22 anything, but he said there was a bunch in there,
10:45:09	23 Q Are you aware of the concept of gray	10:47:07	23 and that was his concern. I think if he saw like
10:45:12	24 marketing?	10:47:09	24 one or two, he probably wouldn't care, but there

Page 14		Page 16	
10:47:10	1 were a bunch in there	10:49:06	1 Q And did -- was his reaction
10:47:11	2 Q And what, if anything, did you do	10:49:10	2 consistent each time or --
10:47:13	3 after you had this conversation --	10:49:11	3 A Pretty much.
10:47:14	4 A I told -- I told Mark	10:49:12	4 Q -- or did he just keep saying: Work
10:47:17	5 Q And can you describe what happened	10:49:13	5 on it?
10:47:19	6 there? What did you say to Mark and --	10:49:13	6 A Yeah, work on it You'll get over
10:47:22	7 A I went in and I told him my concerns	10:49:16	7 it, or you know, he really just kind of blew me
10:47:24	8 and he just kind of blew me off, so to speak	10:49:21	8 off.
10:47:28	9 Q And --	10:49:21	9 Q And when you went to him, did --
10:47:29	10 A He just said that was another	10:49:27	10 well, can you describe the level -- was the level
10:47:30	11 objection that I had to get over and figure out	10:49:31	11 of frustration growing from the accounts?
10:47:36	12 how to work around that.	10:49:34	12 A Yes.
10:47:39	13 Q Did you say anything else to Mark	10:49:34	13 Q Okay And can you describe what that
10:47:39	14 Gonsalves at that time or --	10:49:36	14 was like? What -- how do you know the level of
10:47:43	15 A Well, I went to him more than once	10:49:39	15 frustration was growing?
10:47:43	16 It wasn't just one time I let go. It kept	10:49:40	16 A They would stop ordering clubs They
10:47:44	17 happening and my people kept calling me They	10:49:42	17 didn't trust me anymore. Because when you're
10:47:46	18 were -- they were mad at me for somehow having	10:49:44	18 calling people on the telephone, they've never
10:47:51	19 fault at the clubs getting into Costco.	10:49:46	19 seen you, they've never met you, just some woman
10:47:53	20 Q I see	10:49:49	20 from Texas is calling me trying to sell me a whole
10:47:54	21 A They were mad, just: Why are you --	10:49:51	21 bunch of golf clubs It took a long time You
10:47:56	22 why are these people having golf clubs?	10:49:54	22 build the trust, you have a rapport, you have a
10:47:58	23 Q And are you able to recall -- now,	10:49:57	23 relationship with these people, and they trust
10:48:01	24 when you say they were mad and my people were	10:49:57	24 you
Page 15		Page 17	
10:48:04	1 calling me, was that from Washington?	10:49:59	1 And this is their business, so
10:48:07	2 A Uh-huh That's where it started It	10:50:01	2 they're trusting you to help them grow their
10:48:09	3 wasn't just the one big retailer, some green-grass	10:50:04	3 business, and all of a sudden, they feel as though
10:48:12	4 accounts would call and they'd say the same thing	10:50:07	4 you stabbed them in the back, so there's a lot of
10:48:15	5 and they'd get upset	10:50:10	5 trust that -- they didn't trust us anymore Us,
10:48:16	6 Q I see And by green-grass accounts,	10:50:13	6 I'm saying us as a whole, as a company It wasn't
10:48:18	7 do you mean --	10:50:16	7 just me.
10:48:18	8 A Like country clubs.	10:50:17	8 Q Right
10:48:19	9 Q -- like pro shops and --	10:50:17	9 A Because they saw the clubs and they
10:48:20	10 A Yeah, pro shops and country clubs,	10:50:20	10 quit ordering them The country clubs and stuff
10:48:23	11 stuff like that.	10:50:23	11 got to the point where they wouldn't -- it's not
10:48:25	12 Q And now -- and that was occurring --	10:50:25	12 like they ordered a million clubs They would
10:48:28	13 are you able to recall when that was occurring in	10:50:27	13 order maybe a dozen or a half a dozen to keep them
10:48:31	14 1997?	10:50:30	14 on hand They wouldn't do that anymore They
10:48:32	15 A It was -- it was early in the year,	10:50:31	15 would just order like one special order or some
10:48:34	16 because we were in the first building in Plano	10:50:34	16 guy came in and wanted a specific Adams club, they
10:48:37	17 Q Uh-huh Are you able to estimate, or	10:50:38	17 would order that and just kind of didn't want
10:48:44	18 if you can recall, how many times do you think you	10:50:40	18 anything else
10:48:47	19 went to Mark Gonsalves relaying these complaints	10:50:41	19 Q I see And -- okay And did they
10:48:50	20 about clubs in Costco?	10:50:47	20 tell you it was because of the clubs in Costco --
10:48:53	21 A I'm what is known as a squeaky wheel,	10:50:50	21 A Yeah
10:48:57	22 so I went often. I can't remember -- I can't tell	10:50:51	22 Q -- that this trust had been breached?
10:48:59	23 you how many times, but I do know I went multiple	10:50:52	23 A Uh-huh
10:49:02	24 times to him	10:50:57	24 Q What you just testified to, did you

Page 18

10:50:58 1 relay that to Mark Gonsalves in '97?
 10:51:01 2 A Yes. Yes
 10:51:03 3 Q Okay. And he said: Keep working on
 10:51:06 4 it?
 10:51:07 5 A Yeah, they eventually had like some
 10:51:10 6 little task force that they got going, but that
 10:51:12 7 had -- it had been going on a long time. It
 10:51:16 8 affected me first before it started affecting
 10:51:18 9 other salespeople, and it wasn't until it started
 10:51:21 10 affecting other salespeople that, you know, they
 10:51:23 11 kind of like looked into it a little bit.
 10:51:25 12 And they had this task force.
 10:51:27 13 but the task force didn't happen until the damage
 10:51:30 14 was done, if you ask me, and that's when -- I
 10:51:32 15 think it was Scott Blevins, they had some serial
 10:51:35 16 numbers they would write on them or something like
 10:51:37 17 that, but I mean --
 10:51:44 18 Q Now, are you aware -- are you aware
 10:51:46 19 that Adams Golf had an initial public offering --
 10:51:49 20 A Uh-huh, yeah.
 10:51:51 21 Q -- and went public?
 10:51:52 22 A Yes.
 10:51:52 23 Q And just for clarity, you're aware
 10:51:54 24 that it was July 9th of 1998?

Page 19

10:51:56 1 A Right
 10:52:06 2 Q The decline in sales that you were
 10:52:10 3 complaining about, was that occurring in 1997?
 10:52:14 4 A Yes.
 10:52:14 5 Q And was that occurring in -- in the
 10:52:16 6 first half of 1998?
 10:52:18 7 A Uh-huh.
 10:52:21 8 Q And did you -- did you tell Mark
 10:52:26 9 Gonsalves specifically that you were experiencing
 10:52:28 10 a decline in sales --
 10:52:29 11 A Yes.
 10:52:29 12 Q -- as a result of these complaints?
 10:52:31 13 A Yes.
 10:52:31 14 Q And what, if anything, did he say to
 10:52:34 15 that?
 10:52:34 16 A He didn't really say much. He just
 10:52:42 17 kind of blew me off. He never really had a whole
 10:52:51 18 lot to say about it. He was just kind of: I
 10:52:51 19 don't know.
 10:52:51 20 Q Other than Mark Gonsalves, did you --
 10:52:51 21 did you talk about this Costco -- clubs in Costco
 10:52:53 22 with other people at Adams Golf?
 10:52:54 23 A Oh, yeah. We -- everybody at Adams
 10:52:57 24 Golf was really pretty close. We hung out. We

Page 20

10:53:00 1 went to lunch together. We chitchatted. We saw
 10:53:03 2 each other on the weekends. We were all pretty
 10:53:06 3 close. Yeah, we'd talk about it. I mean, one of
 10:53:08 4 the things, we would kind of try to help each
 10:53:11 5 other, how to get over the objections that we
 10:53:12 6 always had. You know, we would stand around and
 10:53:14 7 we would write our numbers on the boards. I know
 10:53:16 8 like Katherine and I would talk about it.
 10:53:19 9 Katherine East and I would talk about it. So
 10:53:22 10 yeah, we all talked about it.
 10:53:23 11 Q Were you the only one who was
 10:53:24 12 experiencing a problem with clubs in Costco?
 10:53:26 13 A No. No. I believe Katherine was the
 10:53:30 14 second salesperson affected by it.
 10:53:32 15 Q Are you able to recall what
 10:53:34 16 regions -- Katherine is Katherine East?
 10:53:36 17 A Right.
 10:53:36 18 Q Are you able to recall what regions
 10:53:39 19 of the country she had?
 10:53:40 20 A I think it was in the Southwest, like
 10:53:43 21 around Arizona. I think that was the area that
 10:53:46 22 was affected for her.
 10:53:48 23 Q And again, these discussions among --
 10:53:52 24 correct me if I'm -- I don't want to characterize.

Page 21

10:53:55 1 These discussions were generally among the inside
 10:53:58 2 sales staff?
 10:53:58 3 A Yeah. Yeah. Pretty much.
 10:54:00 4 Q And were those discussions occurring
 10:54:02 5 in 1997 and the first part of 1998?
 10:54:04 6 A Uh-huh, yes.
 10:54:07 7 Q Are you able to recall if anyone else
 10:54:09 8 on the inside sales staff complained about a
 10:54:12 9 breach of what -- what we've characterized as a
 10:54:15 10 breach of trust this morning with their accounts?
 10:54:20 11 A I mean, if you're referring to the
 10:54:23 12 double shipping and all that kind of crazy stuff,
 10:54:26 13 yeah.
 10:54:26 14 Q Well, no, I --
 10:54:27 15 A I mean --
 10:54:28 16 Q I mean --
 10:54:28 17 A I mean the whole trust issues about
 10:54:31 18 like the clients calling up --
 10:54:33 19 Q Yeah.
 10:54:33 20 A -- and complaining to us. Yeah.
 10:54:34 21 everybody had that problem.
 10:54:35 22 Q I see. Did you -- were you ever able
 10:54:51 23 to ascertain the amount of clubs that were
 10:54:56 24 involved in showing up in Costco?

Page 22		Page 24	
10:54:57	1 A I couldn't give you a number, but I	10:57:14	1 Q Sure Yeah Did you ever --
10:54:59	2 know that there were a lot, just for the fact	10:57:14	2 A I know we --
10:55:02	3 that, well, the people in the Seattle area were	10:57:16	3 Q Yeah, did --
10:55:05	4 telling me that there were hundreds in there And	10:57:18	4 A We all wondered, but I still don't
10:55:08	5 then they made their way all the way down to	10:57:21	5 know exactly how they got there
10:55:10	6 Florida, and they made their way all the way to	10:57:23	6 Q Yeah
10:55:13	7 Arizona That's a lot of clubs.	10:57:24	7 A I've got my assumptions and what I --
10:55:21	8 Q Are you able to recall -- let's see	10:57:26	8 how I think they got there, but no, no one ever --
10:55:25	9 We'll take Pro Am Golf I don't know anything	10:57:30	9 no one ever pinpointed that
10:55:27	10 about it, but was Pro Am Golf -- where was that in	10:57:32	10 Q What -- what's your assumption?
10:55:30	11 the hierarchy of your accounts? Was that the	10:57:35	11 A My assumption is when Jay, another
10:55:33	12 biggest or --	10:57:41	12 salesperson, he shipped a lot of clubs --
10:55:34	13 A Probably top five And I had some	10:57:46	13 Q I'm sorry For the record --
10:55:37	14 big ones	10:57:48	14 A Jay Greaney He's a salesperson
10:55:38	15 Q Well, we'll take Pro Am Golf in 1997	10:57:50	15 He would ship clubs -- I do
10:55:41	16 and the first half of 1998	10:57:53	16 remember there was a place in California that he
10:55:45	17 Can you describe what effect	10:57:57	17 would ship gobs and gobs of clubs to, but there
10:55:50	18 this clubs-in-Costco complaint had on -- on your	10:58:01	18 was no store Gee, I wonder where they're going.
10:55:54	19 sales to Pro Am Golf in 1997 and the first part of	10:58:05	19 And that -- I don't remember the name of the
10:55:58	20 1998?	10:58:07	20 accounts. It wasn't my account base But we do
10:56:00	21 A They didn't buy nearly as many clubs.	10:58:12	21 travel It's not like we're stuck in Texas, and
10:56:03	22 They would just buy less, a lot less	10:58:15	22 you go to places and there is no such and such
10:56:05	23 Q Are you able to estimate, rough	10:58:18	23 store
10:56:10	24 estimate?	10:58:18	24 And also, when he -- he
Page 23		Page 25	
10:56:10	1 A I'm not good with estimates	10:58:20	1 shipped out of a lot of clubs that he really
10:56:15	2 Q I mean, if you can't, you can't.	10:58:25	2 probably shouldn't have been shipping out. and
10:56:16	3 A I don't know. It was significant	10:58:27	3 that's where I assume they went
10:56:17	4 It was a significant decrease in what they would	10:58:28	4 Q I see And when you said: We
10:56:22	5 buy	10:58:30	5 weren't stuck in Texas, again. are you referring
10:56:22	6 Q And were you on a commission --	10:58:33	6 to the inside sales staff?
10:56:24	7 A Yes	10:58:34	7 A Yeah I travel -- even when I
10:56:24	8 Q -- basis at that --	10:58:36	8 traveled for pleasure -- my brother -- at the
10:56:25	9 Okay So that was hurting	10:58:39	9 time, my brother lived in Southern California. and
10:56:27	10 your pocketbook personally?	10:58:41	10 I would go and: Hey, I work for Adams Golf So
10:56:32	11 A Yeah.	10:58:44	11 I'd go to Edwin Watts or whatever golf stores were
10:56:32	12 Q Did anyone from Pro Am Golf cite any	10:58:50	12 out there We're not isolated We get out.
10:56:35	13 other reasons for a reduction in their orders?	10:58:53	13 Q Well, and what -- okay Strike that
10:56:39	14 A No.	10:58:56	14 Sorry
10:56:39	15 Q Did any of your green-grass accounts	10:59:07	15 Your region -- let's say in
10:56:42	16 suggest any other reason for a reduction in their	10:59:13	16 1997 and the first half of 1998, did -- you had
10:56:45	17 orders?	10:59:17	17 the Miami region in Florida. or did -- how was
10:56:45	18 A No. I mean, that was -- that was it.	10:59:23	18 your region bordered in Florida?
10:56:47	19 Q The Costco problem?	10:59:24	19 A I had Fort Lauderdale and I had
10:56:49	20 A Uh-huh.	10:59:28	20 Miami.
10:57:00	21 Q Was there any discussion about where	10:59:29	21 Q And in the hierarchy of the Adams
10:57:05	22 the clubs were coming from that were showing up in	10:59:31	22 Golf sales department, were those important
10:57:12	23 Costco?	10:59:35	23 markets or --
10:57:13	24 A Do you mean with Mark?	10:59:35	24 A Yes.

Page 26		Page 28	
10:59:35	1 Q -- average markets?	11:01:34	1 trouble So yes
10:59:36	2 A No No. That's -- there's a lot of	11:01:39	2 Q So then in your -- your portfolio of
10:59:38	3 money in Southern Florida And the way the --	11:01:43	3 accounts, Miami and Fort Lauderdale was your most
10:59:41	4 it's -- the way the inside sales was mapped out is	11:01:47	4 important region or most profitable. however you
10:59:44	5 that you would have -- because in the winter,	11:01:49	5 would define that? Is that true or --
10:59:47	6 you're in Seattle or Philadelphia or whatever.	11:01:51	6 A Of my whole region. no; but in the
10:59:50	7 you're not playing golf because it's cold You go	11:01:54	7 winter, yes.
10:59:54	8 down to Miami and play golf.	11:01:55	8 Q All right Okay Was there
10:59:56	9 So you'd have an amount of	11:02:06	9 competition among inside sales staff members to --
10:59:57	10 summer accounts and an amount of winter accounts	11:02:11	10 to get different regions. to be the salesperson
11:00:00	11 And so that was -- I mean. if I didn't have Miami.	11:02:16	11 for that region?
11:00:04	12 I probably wouldn't have made any money in the	11:02:16	12 A No, that wasn't really an option
11:00:07	13 winter months	11:02:18	13 Q It was just kind of whacked up --
11:00:07	14 Q Right Nobody is playing golf in the	11:02:20	14 A You -- your territory is your
11:00:09	15 snow	11:02:23	15 territory and tough luck if you want something
11:00:11	16 A Yeah	11:02:25	16 else I mean, unless someone was wanting -- I
11:00:11	17 Q You've testified to the reaction of	11:02:30	17 mean. you could trade. but that didn't really
11:00:14	18 your accounts in Washington to clubs in Costco	11:02:43	18 happen
11:00:17	19 Can you tell us about the reaction of your	11:02:44	19 Q Just one second. if I may.
11:00:20	20 accounts in Fort Lauderdale or Miami area?	11:03:05	20 So other than -- and again.
11:00:24	21 A Yeah. I'm pretty sure it was Edwin	11:03:08	21 the record will -- and please, I don't want to put
11:00:28	22 Watts that called me. and I'm sure you know Edwin	11:03:10	22 words in your mouth
11:00:30	23 Watts is a big chain.	11:03:11	23 Other than speaking with Mark
11:00:31	24 Q Oh, yeah	11:03:14	24 Gonsalves about the clubs in Costco and customer
Page 27		Page 29	
11:00:32	1 A And also some smaller places too.	11:03:16	1 complaints and other members of the inside sales
11:00:34	2 They would call and complain, kind of the same	11:03:19	2 staff, did you discuss it with anybody else?
11:00:38	3 thing, just a different area	11:03:22	3 A I mean, no. There's no real need to.
11:00:40	4 Q And was -- can you characterize what.	11:03:24	4 No.
11:00:43	5 if any. impact that had on sales in --	11:03:24	5 Q There's no -- why did you feel no
11:00:46	6 A Yeah. it -- dramatic decline. They	11:03:26	6 real need to?
11:00:48	7 were angry. I mean, their first thing is they're	11:03:27	7 A Well. Mark was my boss, so --
11:00:52	8 angry because they think we bamboozled them. That	11:03:32	8 Q Okay.
11:00:55	9 was their first thought: Hey, I'm managing this	11:03:44	9 MR. MARA: I don't think I
11:01:00	10 pro shop or I own this pro shop and you're selling	11:03:44	10 have anything else
11:01:03	11 me these clubs at X dollars, and I can go down the	11:03:44	11 EXAMINATION
11:01:06	12 street and any Joe Blow can buy them for way	11:03:44	12 BY MR BESSETTE:
11:01:08	13 cheaper.	11:03:47	13 Q Ms Brooks, my name is Paul Bessette
11:01:08	14 It was just -- it messes up	11:03:49	14 I'm with Adams -- I'm sorry I'm with Akin Gump
11:01:10	15 the numbers, because we would tell them they have	11:03:55	15 I think when you and I first talked a long time
11:01:12	16 so much of a margin because you have to sell it	11:04:05	16 ago, I was with Brobeck. I don't know if you
11:01:15	17 for so many dollars. They go down the street and	11:04:05	17 remember our phone conversation
11:01:18	18 what I just told my pro doesn't apply to that guy,	11:04:05	18 A I do, but it's been a while, yeah
11:01:21	19 and they would get mad	11:04:05	19 Q But we haven't been able to talk with
11:01:23	20 Q Right.	11:04:05	20 you in a long time I say "we" meaning Adams
11:01:23	21 A It affected their bottom dollar too,	11:04:09	21 Golf's counsel But I understand you've talked
11:01:26	22 and if you're a pro shop manager or you manage an	11:04:10	22 with the plaintiffs' counsel before today?
11:01:29	23 Edwin Watts or whatever and your numbers aren't	11:04:12	23 A Uh-huh.
11:01:31	24 what they're supposed to be, they're getting in	11:04:12	24 Q How many times, would you say?

Page 34		Page 36	
11:07:29	1 who used to work there. So I have no problem with	11:09:28	1 Q Let's talk about you joining Adams
11:07:31	2 Adams Golf.	11:09:30	2 Golf in August '96 What did you do before that?
11:07:31	3 Q Do you know what the plaintiffs'	11:09:33	3 A I was a sale rep for "The Green
11:07:33	4 claim in this litigation is?	11:09:37	4 Sheet " And before that, I had just moved here
11:07:34	5 A Not really sure No. I really don't	11:09:40	5 from El Paso.
11:07:39	6 know the ins and outs of the case, I just -- I	11:09:41	6 Q And before joining Adams Golf, did
11:07:43	7 really don't	11:09:43	7 you have any experience in the golf industry?
11:07:44	8 Q Did the plaintiffs ever tell you what	11:09:45	8 MR. MARA: I'm sorry I
11:07:46	9 their claims were?	11:09:47	9 didn't mean to -- did you say '98, joining Adams
11:07:50	10 A I -- I don't know if I ever asked	11:09:50	10 Golf in '98?
11:08:04	11 Q Do you have any sense, as you sit	11:09:51	11 MR. BESSETTE: August of '96.
11:08:06	12 here, whether Adams Golf as a company did anything	11:09:53	12 THE WITNESS: I thought he
11:08:10	13 wrong with respect to -- when they went public in	11:09:54	13 said '96
11:08:16	14 their IPO?	11:09:55	14 MR. MARA: Sorry
11:08:18	15 A Yeah. I think there was some -- a	11:09:55	15 A Golf industry, no. I played golf,
11:08:21	16 couple of misguided people at the company.	11:09:57	16 but that was it.
11:08:23	17 Q What do you mean?	11:10:05	17 Q (By Mr. Bessette) Okay And you
11:08:24	18 A Well, when all that double-shipping	11:10:05	18 said you reported to Mark Gonsalves. How was he
11:08:29	19 business was going on with Jay, and I'm sure	11:10:08	19 as a -- as a boss, generally speaking?
11:08:32	20 you-all talked to Jay Greaney and everything,	11:10:10	20 A He was -- he had certain standards he
11:08:36	21 about the whole double shipping, I'm pretty sure	11:10:13	21 would like us to live up to. He drove us pretty
11:08:39	22 Mark Gonsalves knew about that. That's not right,	11:10:17	22 hard, but he was a good salesperson He was a
11:08:46	23 you know.	11:10:19	23 good sales manager
11:08:46	24 Q Did you know that the company	11:10:20	24 Q He was a good motivator?
Page 35		Page 37	
11:08:52	1 investigated whether there was actual double	11:10:22	1 A Yeah
11:08:52	2 shipping or not?	11:10:22	2 Q Was he a good mentor?
11:08:52	3 A I'm not really sure -- I know	11:10:25	3 A Yeah
11:08:55	4 there's -- you don't need to investigate it I	11:10:25	4 Q And he held, I think you said, daily
11:08:55	5 know there was double shipping. I don't need to	11:10:27	5 sales meetings with the staff to help motivate and
11:08:59	6 investigate. I am quite confident there was	11:10:30	6 help drive more sales?
11:08:59	7 double shipping going on.	11:10:39	7 A Right
11:08:59	8 Q I'm sure you are --	11:10:39	8 Q You -- I wrote this down I thought
11:09:00	9 A Yeah.	11:10:41	9 it was kind of funny You called yourself a
11:09:00	10 Q -- but do you know whether the	11:10:44	10 squeaky wheel?
11:09:01	11 company investigated it?	11:10:45	11 A Yeah.
11:09:02	12 A I don't know.	11:10:45	12 Q Were you sort of the complainer in
11:09:02	13 Q Do you know what Jay talked about	11:10:47	13 the group?
11:09:04	14 with respect to double shipping?	11:10:47	14 A When something was brought to my
11:09:06	15 A No.	11:10:49	15 attention, yeah. But I'm like that now, still.
11:09:08	16 Q Okay.	11:10:52	16 If something I see is wrong or happening wrong,
11:09:08	17 A I mean, Jay was a nice guy and	11:10:55	17 I'm going to talk about it until I don't think
11:09:10	18 everything, but we weren't like -- we didn't like	11:10:57	18 it's wrong anymore or it's been fixed or repaired
11:09:12	19 hang out and chat or anything	11:11:01	19 or has gone away or whatever, so yeah
11:09:21	20 Q You don't have any reason to believe	11:11:06	20 Q And is it your recollection you kind
11:09:23	21 that Jay Greaney would lie under oath, do you?	11:11:07	21 of went and talked to Mark quite a bit and
11:09:26	22 A No.	11:11:10	22 complained quite a bit about things, didn't you?
11:09:26	23 Q You wouldn't lie under oath?	11:11:12	23 A Not just things I mean, that makes
11:09:28	24 A No	11:11:14	24 it sound pretty trivial But if there was

Page 58		Page 60	
11:31:18	1 A The circumstances of the return that	11:32:36	1 Q Was it before the company went public
11:31:20	2 I know of, you know, somebody writes "did not	11:32:39	2 or after, as best you recall?
11:31:23	3 order" on an order, I'm figuring they didn't order	11:32:40	3 A I don't know I -- I don't remember
11:31:26	4 them	11:32:44	4 Q Okay Did you -- what were the
11:31:26	5 Q But you never saw the pallet?	11:32:46	5 circumstances of that return? Was that another
11:31:27	6 A No.	11:32:48	6 pallet?
11:31:28	7 Q So how do you know that was there?	11:32:48	7 A Yeah It was a pallet, and I just
11:31:29	8 A I have no reason to believe that my	11:32:50	8 remember -- I remember because Brandon, he's a
11:31:32	9 husband or any one of the other customer service	11:32:54	9 pretty nice guy We hung out with him a little
11:31:34	10 guys would lie to me Why would they make that	11:32:58	10 bit, and I remember him getting really hot about
11:31:37	11 up? That's kind of crazy to make that up	11:33:00	11 it because he had to -- it was like more work for
11:31:39	12 Q So you heard it from them?	11:33:03	12 him
11:31:40	13 A Yeah	11:33:03	13 Q Okay
11:31:40	14 Q Your husband and a customer service	11:33:03	14 A So he just got really hot about it
11:31:42	15 person?	11:33:05	15 I remember that
11:31:42	16 A It was actually before he was my	11:33:06	16 Q Did you see the pallet?
11:31:44	17 husband	11:33:07	17 A No
11:31:44	18 Q Okay But other than hearing	11:33:07	18 Q Do you know how many clubs were
11:31:46	19 something from them, you know nothing about the	11:33:10	19 involved?
11:31:48	20 circumstances of either the sale, in other words,	11:33:10	20 A A few hundred
11:31:51	21 to who it was --	11:33:13	21 Q How do you know that?
11:31:52	22 A No	11:33:14	22 A Because of Brandon complaining about
11:31:52	23 Q -- sold to or the return?	11:33:17	23 it
11:31:55	24 A No.	11:33:18	24 Q Who did he complain about it to?
Page 59		Page 61	
11:31:55	1 Q Okay And you don't know the time	11:33:20	1 A Us, just the salespeople
11:31:57	2 frame?	11:33:22	2 Q Who was the salesperson who generated
11:31:57	3 A I don't recall	11:33:25	3 the order?
11:31:57	4 Q And you don't know the accounting for	11:33:25	4 A Jay
11:31:59	5 it, one way or the other?	11:33:25	5 Q Who was the customer?
11:32:01	6 A That was before their -- that was	11:33:27	6 A I don't know Somebody in Hawaii
11:32:03	7 before they were taking the money back out of our	11:33:29	7 Q What were the circumstances of the
11:32:07	8 paychecks	11:33:31	8 sale or the circumstances of the return?
11:32:09	9 Q Yes I don't mean the accounting in	11:33:33	9 A Don't know. Don't know
11:32:11	10 your paychecks. but --	11:33:34	10 Q You have no clue?
11:32:13	11 A No I don't know why they did that	11:33:35	11 A No.
11:32:14	12 in the big scheme of things for the company.	11:33:37	12 Q All right And again, you don't know
11:32:16	13 Q And that's everything you recall	11:33:37	13 how it was accounted for on the books --
11:32:17	14 about that --	11:33:40	14 A No.
11:32:19	15 A Uh-huh.	11:33:40	15 Q -- and records the company?
11:32:19	16 Q -- situation at the old location?	11:33:42	16 A No.
11:32:23	17 A Uh-huh	11:33:46	17 Q Any other examples that you're aware
11:32:23	18 Q Now, you said there was another one	11:33:47	18 of?
11:32:25	19 at the new location on Plano Parkway?	11:33:48	19 A Not that I can think of right now
11:32:28	20 A Right	11:34:05	20 Q Now, are you aware, Ms Brooks, of
11:32:28	21 Q When was that?	11:34:07	21 what efforts Mark Gonsalves or other company
11:32:32	22 A I'm thinking in the spring. I'm not	11:34:10	22 personnel were taking once you moved into the new
11:32:33	23 100 percent sure, but I think it was in the	11:34:14	23 building at Plano Parkway in the spring of 1998
11:32:36	24 spring	11:34:18	24 concerning gray marketing?

Page 62			Page 64		
11:34:21	1	A Am I aware of what they were doing?	11:36:16	1	quite large, a lot of stores, right?
11:34:23	2	Q Right.	11:36:18	2	A Yeah. I think they had like three.
11:34:24	3	A Other than that little team that	11:36:20	3	maybe.
11:34:30	4	Scott Blevins was heading up, I don't know of	11:36:20	4	Q In the Seattle area?
11:34:32	5	anything else	11:36:22	5	A I think so.
11:34:33	6	Q Right. And that team was in the fall	11:36:23	6	Q But they had others in other states,
11:34:35	7	of 1998 Does that square with your recollection?	11:36:25	7	did they not?
11:34:38	8	A Yeah	11:36:26	8	A I didn't deal with those.
11:34:39	9	Q Okay. So when you moved into the new	11:36:27	9	Q Oh, so you only dealt with Pro
11:34:41	10	building until you went public, I say "you"	11:36:30	10	Golf --
11:34:45	11	meaning the company, okay. so March, April to	11:36:30	11	A Yeah
11:34:47	12	July. do you know what steps the company was	11:36:30	12	Q -- in your area, in your Seattle
11:34:53	13	taking regarding this gray-marketing issue?	11:36:33	13	area?
11:34:58	14	A No.	11:36:48	14	A Right.
11:34:58	15	Q And you don't know -- excuse me. And	11:36:51	15	Q Okay. Now, you mentioned to the
11:35:00	16	you don't know what steps Mark Gonsalves --	11:36:57	16	plaintiffs' counsel that it was your recollection
11:35:03	17	A No.	11:36:59	17	that you -- some of your accounts who were
11:35:04	18	Q -- was taking, particularly about the	11:37:02	18	complaining about clubs being in Costco stores
11:35:06	19	gray marketing?	11:37:05	19	where they would slow down or stop ordering
11:35:06	20	A No	11:37:08	20	clubs --
11:35:06	21	Q So you don't know if he went to	11:37:08	21	A Uh-huh. Right.
11:35:11	22	visit. for example, locations, retailers, or	11:37:09	22	Q -- right?
11:35:14	23	Costco stores himself? You have no clue?	11:37:10	23	Okay. Let's go customer by
11:35:18	24	A No. I would have hoped to have been	11:37:12	24	customer Let's start with Pro Golf Okay How
Page 63			Page 65		
11:35:18	1	informed if he was going into my particular	11:37:17	1	many clubs did they not order?
11:35:20	2	territory, but no.	11:37:18	2	A I can't give you numbers I don't
11:35:21	3	Q Pro Am. is that --	11:37:21	3	recall specifics I do remember it being
11:35:23	4	A I think that's the name of it.	11:37:25	4	significant in the grand scheme of things. that if
11:35:25	5	Q Do they have a Boise. Idaho, store?	11:37:27	5	you're ordering 50 clubs a week. you know. he was
11:35:27	6	A I don't know.	11:37:32	6	ordering, maybe half that, and it trickled off
11:35:30	7	Q You don't know if Pro -- oh, Pro	11:37:38	7	Q Yeah. So when -- this started when
11:35:33	8	Golf I'm sorry.	11:37:43	8	you -- again. right. as you said. before you moved
11:35:33	9	A Was it Pro Golf?	11:37:46	9	into the Plano Parkway building --
11:35:34	10	Q I think it's Pro Golf.	11:37:48	10	A Uh-huh
11:35:36	11	A I think --	11:37:49	11	Q -- complaints came And how -- how
11:35:36	12	Q Is Pro Golf your client?	11:37:51	12	long after the complaints started before they
11:35:38	13	A Whoever the big guy in Seattle was.	11:37:54	13	stopped ordering or slowed their ordering?
11:35:41	14	I don't remember. They all have very similar	11:38:03	14	A In the beginning. because I didn't
11:35:43	15	names: Pro Golf, Pro-Am Golf, pro this. pro that	11:38:04	15	see this as being a -- I -- I kept thinking it was
11:35:47	16	Q Do you recall the name Paul	11:38:09	16	going to go away. Maybe I was naive. I don't
11:35:50	17	McCormick?	11:38:12	17	know, but I kept thinking it was going to go away.
11:35:50	18	A No. I don't.	11:38:15	18	get better
11:35:57	19	Q Okay Pro Golf in Seattle, how about	11:38:15	19	So in the beginning, I assured
11:35:59	20	Randy Silver? Does that name ring a bell?	11:38:17	20	them that: Oh, no, we're not selling directly to
11:36:01	21	A That sounds kind of familiar That's	11:38:19	21	Costco That's not what we're doing because --
11:36:03	22	not who I talked to.	11:38:21	22	Q Uh-huh
11:36:05	23	Q Right Okay.	11:38:22	23	A -- if they would have been, it would
11:36:14	24	Now, you said Pro Golf was	11:38:24	24	have been my territory and I would have known

Page 74		Page 76	
11:45:30	1 Q And they started complaining, and as	11:57:14	1 salespeople, did you -- how well did you know
11:45:30	2 you say, they got more and more disgruntled, and	11:57:16	2 other people's accounts? Did you have time to
11:45:32	3 it took months, and then at some point they slowed	11:57:18	3 know other salespeople's accounts?
11:45:34	4 their orders and it stopped altogether?	11:57:20	4 A Some of the bigger ones that maybe
11:45:37	5 A Yeah.	11:57:22	5 affect your territory, maybe you would know
11:45:37	6 Q And the records of the company and	11:57:25	6 Q Uh-huh
11:45:40	7 the sales records would reflect all the sales that	11:57:30	7 A That way
11:45:42	8 were made?	11:57:31	8 Q Okay I can see that Any other
11:45:44	9 A Yeah	11:57:32	9 way?
11:45:44	10 Q So we could see, presumably, whether	11:57:32	10 A Just chatting Like I'll give you an
11:45:48	11 anybody actually slowed or stopped?	11:57:36	11 example that kind of -- like the -- there's a golf
11:45:50	12 A Yeah, I would guess	11:57:38	12 club in Pennsylvania called Squires Club It's a
11:46:15	13 MR MARA: Is now a good time?	11:57:43	13 pretty high-end -- when I say high-end, men-only
11:46:17	14 MR BESSETTE: Yeah Let's	11:57:47	14 club, and I got to be such good friends with the
11:46:18	15 break.	11:57:51	15 pro there that he actually sent me a wedding
11:46:18	16 (A recess was taken from	11:57:54	16 present, and he thanked me when I sent Dr Jay to
11:56:00	17 11:46 to 11:56.)	11:57:57	17 his club to buy a golf club
11:56:00	18 MR BESSETTE: Okay. Back on	11:57:58	18 So I told everybody the
11:56:05	19 Q (By Mr. Besette) In the --	11:58:00	19 Dr Jay story a hundred times So you know
11:56:07	20 Ms Brooks, in the -- again, same time frame we've	11:58:03	20 things, if have like a story or something We
11:56:09	21 been talking about, moving into the new building	11:58:05	21 knew things about maybe special accounts
11:56:12	22 on Plano Parkway, March/April, till the IPO, how	11:58:07	22 Q Okay. All right Good
11:56:15	23 many inside salespeople do you think the company	11:58:16	23 Now, Jay Greaney was the top
11:56:17	24 had at that time, that you recall?	11:58:20	24 salesperson at the time?
Page 75		Page 77	
11:56:25	1 A 12, maybe I don't remember I'm	11:58:20	1 A Correct.
11:56:28	2 trying to think of who all was there I know it	11:58:22	2 MR MARA: The time being?
11:56:31	3 was more than the initial six	11:58:23	3 Q (By Mr. Besette) The time being,
11:56:33	4 Q Uh-huh.	11:58:24	4 again, it's March/April to --
11:56:33	5 A 10, 10, 12, somewhere around there	11:58:26	5 A While Jay was there, best of my
11:56:36	6 Q That's your recollection?	11:58:28	6 recollection, he was usually the top salesperson,
11:56:36	7 A I think -- I don't really remember	11:58:31	7 so --
11:56:38	8 I'm just trying to think of who the salespeople	11:58:31	8 Q And why was that, in your view?
11:56:40	9 were, because they were the original six, and then	11:58:33	9 A He was a good salesperson, and he
11:56:45	10 there was like Darin and Andrea and all those	11:58:36	10 also padded his orders
11:56:47	11 people got hired, and the little guy that drove	11:58:40	11 Q Yeah So let me explore that a
11:56:51	12 the Jeep I can't remember his name I don't	11:58:42	12 little
11:56:53	13 remember. I know it was more	11:58:42	13 Why do you think he padded his
11:56:54	14 Q Okay And do you remember -- do you	11:58:45	14 orders?
11:56:56	15 remember about the time of the IPO again, so we're	11:58:46	15 A To make more money
11:56:59	16 in the summer of '98, about how many retail	11:58:47	16 Q Let me ask you a better question:
11:57:02	17 accounts were there overall that the company had?	11:58:50	17 How do you know? How do you have the opinion that
11:57:03	18 A I don't know.	11:58:52	18 he padded his orders?
11:57:04	19 Q No idea?	11:58:53	19 A Because my -- I know he had a lot of
11:57:05	20 A Huh-uh	11:59:01	20 returns and -- and it was kind of common
11:57:06	21 Q You don't know if it was 5,000 or	11:59:04	21 knowledge.
11:57:09	22 10,000 or anything like that?	11:59:04	22 Q Okay. So besides water cooler talk
11:57:11	23 A No.	11:59:06	23 and people not liking Jay for whatever reason --
11:57:11	24 Q With lots of accounts and lots of	11:59:08	24 A I never said I didn't like Jay. I do

Page 78		Page 80	
11:59:11	1 like Jay	12:00:52	1 A I take it is that he is selling them
11:59:12	2 Q Okay. Let me ask you this in one	12:00:54	2 to this guy and this guy is probably, I'm
11:59:14	3 pointed question: Do you have any personal	12:00:58	3 thinking, Mr. Gray Market guy.
11:59:17	4 knowledge that he actually, as you said, padded	12:01:01	4 Q But again, no personal knowledge?
11:59:19	5 his numbers?	12:01:03	5 A No. But it was -- the whole inside
11:59:20	6 A I can't think of anything specific.	12:01:06	6 sales team, including Mark and Craig and everybody
11:59:23	7 Eight years ago, I probably could have cited	12:01:09	7 else. knew about this. We talked about it openly
11:59:25	8 something pretty specific, but right now, no. I	12:01:13	8 It wasn't some big secret
11:59:27	9 can't.	12:01:15	9 Q So wouldn't that suggest it was
11:59:27	10 Q So as you sit here, no personal	12:01:17	10 appropriate and aboveboard, just a little unusual
11:59:29	11 knowledge?	12:01:19	11 and not something sinister?
11:59:29	12 A That I can remember.	12:01:22	12 A No --
11:59:30	13 Q That's all I want to know, is what	12:01:22	13 MR. MARA: Objection to the
11:59:32	14 you remember	12:01:23	14 form of the question.
11:59:32	15 A Yeah. I can't think of anything	12:01:23	15 But answer it. Sorry.
11:59:34	16 right now. If someone were to jog my memory or	12:01:26	16 A No, because didn't Jay get fired?
11:59:36	17 give me some specific examples, maybe I'd remember	12:01:33	17 Q (By Mr. Bessette) Is that your
11:59:38	18 something, maybe I wouldn't. I don't know.	12:01:33	18 recollection?
11:59:42	19 Q Okay. You also testified earlier	12:01:33	19 A Yeah, I think he got fired
11:59:43	20 about this California store that Jay shipped to	12:01:36	20 eventually. I mean. Jay had a unique way of
11:59:46	21 A Uh-huh.	12:01:41	21 selling clubs, I'll say, and I personally don't
11:59:47	22 Q So let me understand, are you saying	12:01:44	22 find it to have been an ethical way to sell clubs.
11:59:48	23 that you were out in California and you knew the	12:01:50	23 Q What do you mean by that?
11:59:51	24 specific address?	12:01:54	24 A Some people. when you -- you say:
Page 79		Page 81	
11:59:52	1 A No. No. No. Other people, such as	12:01:56	1 Okay. I'll take six clubs.
11:59:54	2 myself -- I was giving you an example of when I	12:02:00	2 Send them a dozen. He would
11:59:56	3 went to California and I would go look at other	12:02:01	3 do that. That was his method. I don't believe
11:59:58	4 people, but I do remember him having an account in	12:02:04	4 there's any secret. A person tells me: Send me
12:00:04	5 California that did not have a storefront	12:02:08	5 six clubs, I sent them six clubs. So that's what
12:00:07	6 Q Okay.	12:02:10	6 I'm talking about.
12:00:07	7 A I believe -- I believe maybe he's the	12:02:11	7 Q All right. So let's explore that
12:00:09	8 one who told us. I don't recall. I don't	12:02:13	8 again. Besides the knowledge that you say was
12:00:11	9 remember, but it -- the inside sales team knew	12:02:16	9 around the water cooler --
12:00:16	10 that Jay had a customer, client, whatever you want	12:02:17	10 A Do I have something pinpoint specific
12:00:21	11 to call them, in California that did not have a	12:02:20	11 to document or anything, no, I don't
12:00:35	12 storefront.	12:02:21	12 Q So no personal knowledge, no seeing
12:00:35	13 I think maybe one of his other	12:02:23	13 an order, knowing that somebody ordered six and --
12:00:35	14 clients found that out. I'm not really sure	12:02:25	14 A No.
12:00:35	15 exactly how it came to light, but that did come to	12:02:25	15 Q -- seeing that Jay actually shipped
12:00:35	16 light.	12:02:28	16 12?
12:00:35	17 Q Okay. And what did that mean to you?	12:02:29	17 A No.
12:00:35	18 Because I don't know what that means.	12:02:29	18 Q Nothing like that?
12:00:35	19 A Well, that meant to me: He is	12:02:29	19 A No.
12:00:39	20 selling clubs at the wholesale price to some guy	12:02:30	20 Q Just talk around the halls?
12:00:41	21 who doesn't have a store for people to come and	12:02:32	21 A Yeah.
12:00:44	22 buy them in.	12:02:35	22 Q Okay. Now, you testified earlier
12:00:46	23 Q Okay. So besides that, you don't	12:02:44	23 that -- I think you said Costco, you know, it was
12:00:49	24 know -- is there any other meaning to that?	12:02:47	24 a big problem for your -- the accounts we've

Page 82

12:02:50 1 already talked about --
 12:02:51 2 A Right
 12:02:51 3 Q -- who they were And that
 12:02:54 4 eventually, over time, they got so disgruntled
 12:02:58 5 that they slowed or stopped orders?
 12:03:00 6 A Right
 12:03:00 7 Q Sitting here, looking back on it now,
 12:03:04 8 so this time frame in '98 --
 12:03:06 9 A Uh-huh
 12:03:07 10 Q -- let's say all of -- let's say that
 12:03:10 11 same time frame, the April -- March/April, going
 12:03:13 12 to the new building, to say, the IPO, how -- how
 12:03:18 13 many clubs -- how many -- how many clubs did
 12:03:20 14 Costco sell in your territory? Do you have any
 12:03:24 15 sense?
 12:03:25 16 A No. I mean, I couldn't tell you. I
 12:03:27 17 mean, I never went there. I don't know how many
 12:03:29 18 they had, but according to my clients who told me
 12:03:33 19 that they had, you know, in the -- a hundred clubs
 12:03:37 20 or so sitting right there. It was always full and
 12:03:40 21 it was all freshly stocked, so I'm going to say a
 12:03:43 22 lot.
 12:03:43 23 Q A lot.
 12:03:43 24 A Yeah. I don't have a number to put

Page 83

12:03:45 1 on it because I wasn't there. I didn't count
 12:03:47 2 them. I'm just going by what my people told me
 12:04:05 3 Q Okay. And you have no reason to
 12:04:07 4 dispute that whatever the Costco records show what
 12:04:10 5 their sales were in particular regions, you don't
 12:04:13 6 have any reason to believe that that wouldn't be
 12:04:15 7 accurate?
 12:04:16 8 A No.
 12:04:25 9 Q Okay. And if -- for example, if
 12:04:28 10 Costco had showed that in the second quarter of
 12:04:32 11 1998 -- and again, that's right at the time frame
 12:04:34 12 we're talking about, April, May, June 1998.
 12:04:37 13 A Uh-huh
 12:04:39 14 Q -- in the states of Alaska and Idaho
 12:04:42 15 and Montana and Oregon and Utah and Washington,
 12:04:48 16 there were just over 700 clubs sold, does that
 12:04:52 17 sort of sound accurate to you?
 12:04:54 18 MR. MARA: Objection, assumes
 12:04:55 19 facts not in evidence
 12:04:55 20 But go ahead.
 12:04:57 21 A I figured it would be a lot more than
 12:04:58 22 that, but I -- I have never been to any of those
 12:05:04 23 places, so I have no idea. I mean --
 12:05:06 24 Q (By Mr. Bessette) And that's a good

Page 84

12:05:07 1 point. You would have thought it was more because
 12:05:10 2 it seemed more to you because your customers
 12:05:13 3 were -- were complaining to you?
 12:05:15 4 A Uh-huh.
 12:05:15 5 Q But you don't, as you sit here, know
 12:05:17 6 how many actual sales were being made in Costco
 12:05:20 7 and how it was affecting the company overall.
 12:05:22 8 meaning Adams Golf?
 12:05:23 9 A Right
 12:05:26 10 Q Okay. And would it surprise you to
 12:05:28 11 learn -- and again, in the same time frame, April,
 12:05:30 12 May, June of 1998 -- in what Costco calls the
 12:05:36 13 Southeast region, but it's the states of Alabama
 12:05:38 14 and Florida, Georgia, Maryland, North Carolina,
 12:05:41 15 portions of New Jersey -- I don't know why that's
 12:05:47 16 Southeast, but -- Puerto Rico, South Carolina,
 12:05:47 17 Tennessee, and portions of Virginia, there were
 12:05:50 18 only 150 clubs sold by Costco in that time frame?
 12:05:54 19 MR. MARA: Same objection
 12:05:54 20 Q (By Mr. Bessette) Is that surprising
 12:05:55 21 to you as well?
 12:05:57 22 A Yeah
 12:05:58 23 Q Again, you would have thought it
 12:05:59 24 would be more?

Page 85

12:06:00 1 A Yeah. Maybe they're all sold out of
 12:06:02 2 Miami, I don't know, but --
 12:06:05 3 Q Maybe you know, maybe not. We don't
 12:06:07 4 know.
 12:06:25 5 When did you -- let's see
 12:06:27 6 You said you got married in April?
 12:06:29 7 A Uh-huh
 12:06:30 8 Q 1998?
 12:06:30 9 A Uh-huh.
 12:06:31 10 Q You got married to Michael Brooks?
 12:06:33 11 A Right.
 12:06:33 12 Q He was an employee of Adams Golf?
 12:06:35 13 A Right.
 12:06:35 14 Q And you met him at Adams Golf?
 12:06:42 15 A Right.
 12:06:42 16 Q He was in what department?
 12:06:44 17 A He started off in customer service,
 12:06:46 18 and then he moved up, and he was like the
 12:06:49 19 purchasing manager or something like that. He --
 12:06:52 20 he was in charge of purchasing the components
 12:07:00 21 Q We won't be too much longer
 12:07:02 22 Purchasing. Who was his boss
 12:07:06 23 in 1998/1999 time frame? Do you know?
 12:07:09 24 A Well, Dick Murtland was his boss, and